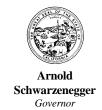


NEWS RELEASE



California Regional Water Quality Control Board Central Valley Region

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FRENCH BAR BLUFFS SETTLEMENT REACHED AT \$1.4 MILLION IN PENALTIES

A major settlement has been agreed to in a case involving washed out, illegal dams and environmental damage.

In the spring of 2005, State and Federal agencies became aware of significant damage to creeks and adjacent sensitive environments in the foothills of Stanislaus County. French Bar Bluffs, a limited liability corporation, had installed eight dams in a tributary to the Tuolumne River. The work was done without environmental or water rights permits. Trees were cut along stream banks, and grading was done without even a County grading permit. The result was extensive environmental damage.

The Regional Water Board issued a Cleanup and Abatement Order in July 2005 requiring the removal of the dams and restoration of the affected streams. However the dams were not removed prior to the rainy season. In February of 2006, several of the dams collapsed, sending soil downstream and smothering creek beds. The Regional Water Board followed up with an additional Cleanup and Abatement Order requiring removal of the soil discharged as a result of the dam failures.

This case involved a wide array of environmental protection agencies including the Regional Water Board, the Department of Fish and Game, the US Army Corps of Engineers, the US Fish and Wildlife Service and NOAA Fisheries. The Circuit Prosecutor, Gloria Mas, working with all of theses agencies and French Bar Bluffs, was able to conclude a settlement agreement, which will result in substantial penalties being paid to various agencies and a workplan with a time schedule to cleanup the site. The Circuit Prosecutor Program is run through the California District Attorney's Association. The Association employs attorneys who work as a Special Deputy District Attorneys for rural counties, including the Stanislaus County District Attorney, providing assistance to county district attorneys and environmental agencies with enforcement of their laws. Major funding is supplied by the California Environmental Protection Agency.

French Bar Bluffs agreed to a total of \$1,400,000 in paid penalties, including \$800,000 in cash payment and \$200,000 in additional biological mitigation to the Water Board. The discharger also agreed to \$900,000 in stayed penalties should the site not be cleaned up and restored.

The Settlement through the Circuit Prosecutor Process reduced the amount of administrative enforcement required by each regulatory agency. Coordination of cleanup requirements among agencies was also expedited. Cleanup of the site began on 5 July 2006, and is expected to be complete before the rainy season begins. Without the Circuit Prosecutor, it is doubtful whether all agencies could have reached agreement with French Bar Bluffs so that cleanup could have been expedited.